
United States
Circuit Court of Appeals
For the Ninth Circuit

GENE BUCK, as President of the American Society of Composers, Authors and Publishers, and ROBBINS MUSIC CORPORATION, a corporation, CHAPPEL & CO., a corporation, and POPULAR MELODIES, INC., a corporation,

vs. *Appellants,*

TRIANON COMPANY, INC., a corporation,
Appellee.

Upon Appeal from the District Court of the United States for the Western District of Washington, Northern Division.

Appellants' Brief

(Consolidated herewith are the cases of *Buck et alles vs. Lockhart*, No. 9233, and *Buck et alles vs. Tarry Inn*, No. 9232.

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No. 9231

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OPINION BELOW.

The opinion of the court below in these cases is reported as *Buck et alles vs. Trianon Company*, 26 Fed. Supp. 96.

JURISDICTION.

These suits are for infringement of copyright, and seek injunctions restraining the defendants from publicly performing for purposes of profit musical selections copyrighted by the plaintiffs. Exclusive jurisdiction rests in the Federal courts under Section 34 of the Copyright Bill of 1909, Statutes at Large, Vol. 35, Part 1, pages 1075 to 1088 (U. S. Code, Title 28, Sec. 41). The plaintiffs' complaint is set out in the transcript, pages 2 to 23, inclusive, and particular attention is called to Paragraphs V, VI and VII of the complaint, found on pages 4 and 5 of the transcript. This appeal is from a judgment of the District Court dismissing the bill, and is brought under Sections 128 and 129 of the Judicial Code and the new rules of civil procedure.

STATEMENT OF CASE.

These three actions were brought by several owners of copyrighted musical compositions, for alleged infringements of the public performing rights therein granted the owners by the copyright laws. The relief requested was that defendants be enjoined from further performances. The several plaintiffs

were all members of the American Society of Composers, Authors and Publishers, and had assigned to that Society the right to protect the public performing rights in the musical selections involved in the actions. For purposes of brevity, we shall hereafter refer to the American Society of Composers, Authors and Publishers solely as the Society. Five suits were combined for trial. Plaintiffs recovered in two. In the three involved in this appeal, the District Court held there had been no infringement, because the defendants were operating under license agreements which had not been cancelled.

The final pleading on the part of the defendants consisted of a general denial, and a Paragraph XXXVIII of the affirmative defense, which alleged in effect that the defendants had been coerced (prior to June of 1935) into entering into a contract of license, and that said contract had never been cancelled. (Tr. 31-33.) This affirmative allegation was denied by the plaintiffs.

The ownership of the several songs involved was admitted by the defendants, and also that the complainants had taken all steps required for compliance with the copyright laws. This was by stipulation. (Tr. 36.) It was further admitted at the trial that

the defendants publicly performed these numbers for purposes of profit. (Tr. 50.)

The Trianon company had been granted a license June 1, 1927, and payments had been made thereon from time to time, the last of which was June 20, 1935, which paid the account to July 1, 1935. No payments were ever made or tendered by any of the defendants subsequent to that date. Plaintiffs' evidence tended to show a notice of cancellation (Plaintiffs' Exhibit No. 7) was mailed to the Trianon on May 27, 1935, cancelling the license as of July 1, 1935. (Tr. 112.) The defendant denied receiving this notice. Plaintiffs' evidence further tended to show that notices of cancellation had been sent on August 21, 1935, and received by the defendant Lockhart (Plaintiffs' Exhibit No. 18, Tr. 103), and defendant Tarry Inn, Inc. (Plaintiffs' Exhibit No. 20, Tr. 109.) This was the form letter, Plaintiffs' Exhibit No. 21. Neither of these two defendants denied receiving this notice.

The record discloses that a suit was instituted by the Attorney General of the State of Washington against the Society as defendant in the Superior Court of Thurston County in June of 1935. This charged violation of the anti-monopoly laws, and sought to restrain the Society from doing business

in the State. Upon the institution of this suit, the Society closed its office in the State of Washington and ceased to do business in the State. (Tr. 113-114.) A temporary receiver for the Society was appointed in that suit on August 13, 1935. The receiver was discharged and the suit dismissed on June 8, 1936. (Tr. 81.)

In the latter part of 1936, Mr. Herman Kenin, from Portland, Oregon, for plaintiffs, opened negotiations looking towards relicensing the defendants' establishments. He wrote letters directly to the several defendants, informing them that the Society was reorganizing its business in the State of Washington; sent them a license application for signing, so that a rate could be quoted. These letters brought an exchange of correspondence with the defendant Trianon, but no response from the other two defendants. The defendants were each notified that evidence had been taken of infringements and unless defendants' establishments were licensed, plaintiffs would have no alternative but to bring suit for infringement. The defendants still refusing to license their establishments, the instant suits were accordingly instituted in the early part of 1937. The cases were submitted to the court, and the decrees signed on the 10th day of March, 1939, dismissing the bills.

The court awarded costs and the following attorneys' fees to the defendants: to the Trianon company, the sum of \$500; to the Lockharts, the sum of \$750, and to the Tarry Inn, Inc., the sum of \$400. Notice of appeal and bond were filed on April 20, 1939. (Tr. 151.) Time for filing the record in the Circuit Court was extended up to and including the 15th day of July, 1939. (Tr. 158.) Transcript was filed in the Circuit Court on the 10th day of July, 1939. (Tr. 162.)

SPECIFICATIONS OF ERRORS.

The court below erred in dismissing the bill of complaint; in refusing to grant plaintiffs judgment for infringement (Assignment 1); in holding that defendants had a valid and subsisting license agreement on the date of the alleged infringement (Assignment 2); in admitting over the objection certain testimony with respect to the contents of post office records (Assignment 3); in holding that there had not been complete abandonment of the contractual relations of the parties (Assignment 4); in allowing defendants an attorneys' fee in that the fee allowed was excessive (Assignment 5); and that the court erred in granting judgment for the defendant (Assignment 6; Tr. 141).

SUMMARY OF ARGUMENT.

1. The trial court held that there was no infringement because defendants were operating under a license. The evidence discloses that the defendants did not have a license agreement.

(a) The burden was on the defendants to sustain the contention of license. The defendants did not prove that they were operating under a valid and existing license in 1936.

(b) The court erred in permitting the defendants' witnesses to testify as to the contents of certain public records. The testimony violated the hearsay and best evidence rules.

(c) The plaintiffs proved the cancellation of pre-existing licenses by a preponderance of the evidence. The cancellation notices had been sent, and the court should have found that they had been received.

2. If the court concludes that the license agreements were not cancelled by the plaintiffs, the evidence clearly sustains that both parties considered them abandoned. Each party performed acts inconsistent with the existence of any contractual relations, and in each instance these acts were concurred in by the other party.

3. The court allowed highly excessive attorneys' fees to the defendants. The suits were consolidated and all tried at one time. There were no complicated issues involved. Yet the court allowed combined fees in the three suits in which defendants recovered in the total sum of \$1650. The expert witness was not qualified to testify. He based his estimate from having read the award of fees in five or six cases shown him by defendants' counsel.

RE TARRY INN AND LOCKHART CASES.

In the *Lockhart* and *Tarry Inn* cases, there was no testimony offered by the defendants to prove that they were operating under a license agreement. The defendant Tarry Inn, Inc., offered no witnesses on its behalf. The receipt by defendants of cancellation notices was clearly shown. The defendants' acts likewise showed abandonment of any contractual relations.

I.

RE TRIANON CASE.

We will first discuss the *Trianon* case. All of the points and discussion in it are pertinent to the other two cases.

POINT 1.

THE DEFENDANTS DID NOT HAVE A VALID AND SUBSISTING LICENSE FROM PLAINTIFFS ON
NOVEMBER 30, 1936.

We respectfully suggest that the evidence conclusively shows that neither of the parties believed there were existing licenses during any portion of the year 1936. The plaintiffs sent a letter of cancellation to the Trianon Company on May 27, 1935. That letter cancelled all contractual relationships as of July 1, 1935. In June, 1935, the State suit was instituted against the plaintiffs, it being charged in that suit that the Society was a monopoly and therefore not able to do business in the State of Washington. This resulted in the voluntary closing of the Society's office in Seattle, a withdrawal from the State, and a complete cessation of any attempt to do business therein. A temporary receiver was appointed for the plaintiff in August of 1935, and this receivership continued until the final dismissal of that suit on June 8, 1936. The decree of dismissal in the State suit provides, Paragraph IX:

“That any rights in the works of the members of the Society, under any assignment, license or permit heretofore made, issued or granted by the receiver are hereby declared to be, and shall

be, of no further force, effect or validity beyond the first day of January, 1936." (Tr. 84.)

In the latter part of 1936 the plaintiffs opened negotiations looking towards a resumption of business in the State of Washington. On December 1, 1936, Mr. Kenin, for plaintiffs, from Portland, Ore., addressed a letter to the defendant Trianon Ball Room (Plaintiffs' Exhibit No. 8, Tr. 83), which in substance informed the defendant that it was infringing on plaintiffs' rights; that the plaintiff would be pleased to give it a license, so that the defendant could legally perform plaintiffs' copyrighted numbers; and enclosed a license application, suggesting in the alternative that, if it did wish to procure a license, then to desist from the use of plaintiffs' music.

Mr. Savage, president and owner of this defendant, acknowledged that letter on December 7, and stated (Plaintiffs' Exhibit No. 9, Tr. 64):

"Your letter of December 1st received, and in reply will say it was my impression that the Society was a monopoly, and that the constitution of Washington is so strict against monopolies that it is not allowed to do business in the State."

We suggest that this, in and of itself, constitutes a direct denial of any existing license on the part of

the defendant, who states directly that the plaintiff can not do business in the State, and therefore is not able to give defendant a license.

Mr. Kenin answered Mr. Savage's letter on December 8, (Plaintiffs' Exhibit No. 10, Tr. 65) stating that he thought all the music users in Washington had been informed of the decision dismissing the Olympia suit; enclosed a copy of this decision, and informed Mr. Savage that the Society was proceeding to organize its business again in the State. He again urged Mr. Savage to fill out the license application, so that a rate could be quoted. Kenin sent a follow-up letter on December 15 (Plaintiffs' Exhibit No. 12, Tr. 93), and another on December 22 (Plaintiffs' Exhibit No. 11, Tr. 92). We quote from this last exhibit:

“On December 1st registered notice was sent you of the fact that you were infringing upon copyrights belonging to the members of the American Society of Composers, Authors and Publishers. You were asked at that time to *submit an application for the use of these selections*. Three weeks have elapsed since that time, and to date no application has been received from you.” (Italics ours.)

This letter was answered by Mr. Savage on December 28 (Plaintiffs' Exhibit No. 13, Tr. 67), in which Mr. Savage states, speaking of the music users:

“They still think the Washington constitution on monopolies is being violated, and are figuring on an entirely new method of protecting themselves.

“If the ASCAP concern wishes to do business in the State of Washington my opinion is they will have to take in their patrons in such a way as to overcome the ‘monopoly’ angle.

“For instance, ask a representative of the broadcasting stations, theaters, hotels and ball-rooms to sit on a board with a representative of ASCAP for the purpose of fixing and agreeing upon the rates. This would take care of the monopoly side of the matter, and you would then be able to come into the State of Washington with clean hands and do business legitimately.

“In the meantime, *I do not believe it is the proper thing for me ‘to make an application’ against their wishes.*” (Italics ours.)

This letter was answered by Mr. Kenin on January 4, 1937 (Plaintiffs’ Exhibit No. 14, Tr. 68), in which he again told Mr. Savage of the infringements, and that the claim of monopoly was urged merely for the purpose of resisting license. He asked him to reconsider the matter, and gave as the only alternative the necessity for instituting a suit for infringement. The letter remaining unanswered, suit was accordingly instituted.

These letters clearly picture the situation between the parties. They unequivocally show a complete absence of any contention of a license. Neither party claimed a license. The defendants resisted any attempt on the part of plaintiffs to procure a license, and continually claimed that the plaintiffs could not do business in the State. This contention shows that defendants' claim at the time of the trial of a pre-existing uncanceled license contract was purely an afterthought. It would be most inequitable to permit such a defense to stand.

A. THE DEFENDANTS FAILED TO SUSTAIN THE BURDEN OF PROOF.

The plaintiffs, by the stipulation of facts, (Tr. 36), and by stipulation in open court (Tr. 50) established a *prima facie* case of infringement. The ownership of the copyrights; the taking of proper steps to procure such copyrights; and the public performance by defendants for purposes of profit were all admitted by the defendant. The burden of proving performance under license rests upon the defendant. This rule is stated in *Gerlach-Barklow vs. Morris and Bendien*, 23 F. (2d) 159, as follows:

“Where plaintiff, suing for infringement of copyright, *prima facie* proves the title, the burden

of going forward with evidence shifts to defendant.”

See also *Stodart vs. Mutual Film Corp.*, 249 Fed. 507, to the effect:

“Defendant sued for infringement, asserting validity of its purchase of the play from a broker, defendant had burden of proving that issue.”

In the case of *Burton vs. Bay State Gas Co.*, 188 Fed. 161, a receiver had been appointed for the corporation on July 1, 1903. A suit was brought on a contract, and the court held that it was not only the plaintiff's burden to prove that a contract existed, prior to the receivership, but also that the contractual relationship existed after the receivership. We quote, page 162:

“Having established the existence of a contractual relation between the parties which was recognized by the gas company in its payment of April 15, 1903 * * * the burden is upon the appellant to show that this relation continued after July 1, 1903. The circuit court found that it was terminated by the appointment of a receiver.”

We also refer to *Schellberg vs. Empringham*, 36 Fed. (2nd) 991, page 995:

“To the extent that defendants' infringement is based upon a contention that it was licensed by Schellberg, *the burden of proof in establish-*

ing the same is upon the defendants.” (Italics ours.)

In holding that defendants had not sustained the burden of proof, the court comments on the fact that the defendants’ statements were not always consistent and attached great significance to the fact that the defendant did not immediately contend that he was licensed. We again quote, page 995:

“That reliance should not be placed upon the claim of license seems clear, when consideration is given to the conduct of Empringham at the time he learned efforts would be made to hold him liable as an infringer. He then called * * * and asked that his infringement be condoned on the ground that he was a minister * * * *No claim was then made that his acts had been authorized by Schellberg.*” (Italics ours.)

If the court in the above case attached significance to the defendant’s failure to immediately claim a license, what significance should be placed upon the failure of the defendant Trianon to ever claim a license? The instant defendant went further and denied plaintiffs’ right to give a license. We feel that the defendant has failed, not only to sustain the burden of proof, but has failed to offer any proof showing it was licensed at the time of the admitted performances.

B. THE COURT ERRED IN PERMITTING DEFENDANTS
TO TESTIFY AS TO THE RESULT OF A SEARCH OF
CERTAIN POSTOFFICE RECORDS.

The court permitted Mr. Savage and Mr. Belknap to give certain testimony over objection. Mr. Savage had stated that, about a week before the hearing, he went to one of the Seattle postoffices where records are kept of registered letters. We quote the following proceedings (Tr. 128):

“Q. In that record did you find any record of a letter purporting to be mailed by the American Society either to yourself individually (58) or to the Trianon Ball Room?

Mr. Haugland: I object to that question * * * if he is attempting to testify what the records show I imagine the record would be the best evidence, not what he may have gathered from it. I object also on the grounds that he is not a competent witness to prove this. They could bring in the clerk who is in charge of the records.

The Court: Objection overruled.”

The witness thereupon testified (Tr. 129):

“A. The postoffice department has no record of any such letter ever having been mailed through that office to me individually, or the Trianon. *I asked him specifically.*” (Italics ours.)

Mr. Belknap, over objection, corroborated this testimony. This is a clear violation of the hearsay and best evidence rules. 20 Am. Jur. 374, Section 418. All the other testimony and circumstances in this case are so conclusive in plaintiffs' favor that we can only believe that the District Court must have placed great credence in the above testimony, and attached great significance to it. His decision must have hinged upon this testimony, for he has held that no registered letter was actually mailed. We respectfully suggest that the erroneous admission of this testimony, in and of itself, constitutes ground for reversal of the decree and for granting of a new trial.

C. PLAINTIFFS PROVED THE CANCELLATION OF THE LICENSE.

The plaintiffs' testimony was direct and positive that Plaintiffs' Exhibit 7, the notice of cancellation, was written and mailed. Mr. Stanley (Tr. 112) stated that not only was this letter mailed to Mr. Savage, but subsequent to the letter:

“On two occasions subsequent to May 27, 1935, Mr. Savage, manager of the Trianon Ball Room, called at my office for the purpose of dis-

cussing what the rate for his new license would be, inasmuch as it was no longer feasible for the Society to continue his canceled license at the previous rate. I recall that there was an express difference of opinion by Mr. Savage as to what Mr. Savage thought was a rate he should pay in comparison to the schedule of fees set forth by the American Society. The result of the first visit brought no conclusions and the same applies to the second visit to my office. I also had conversations with Mr. Savage at his office in the Trianon Ball Room relative to the prior cancellation of his license and the issuance of a new one. He refused to take out the new license up until the time I left the Seattle office.” (52.)

He stated these conversations were in June and July, 1935. (Tr. 114.) Mr. Savage did not deny that he had these conversations, and therefore they stand admitted. This court must take cognizance of this testimony, and, when weighed with the statements in Mr. Savage’s letters, must overwhelmingly show the ultimate fact of cancellation. In addition, Mr. Savage stated that he kept no correspondence file with ASCAP, and that he threw away all letters. (Tr. 61.) We do not think much credence should be placed in this witness’ statement that he did not receive the letter, where it was given more than three years after the letter was sent, and where he shows that he has kept none of the correspondence.

Mr. Kenin testified that, in his numerous conversations and negotiations with Mr. Savage during

1936, Mr. Savage never claimed to be operating under a right through a license. (Tr. 94.) Mr. Savage stated on his cross-examination that in his discussions he contended that:

“If the company (ASCAP) was to arrange a different set-up so they could do business in the State of Washington without being tied up on the monopoly charges they could do business.” (Tr. 62.)

Such conduct certainly proves anything but that the defendant was operating under a license agreement.

This attitude is further demonstrated by the affirmative matter pleaded by the defendants in Paragraph XXXVIII. It was alleged that the defendants were coerced into signing the original license agreement, and that at the time of such signing the defendant knew the plaintiff was an illegal combination, and that the defendants entered into the contract rather than to undergo the expense of litigation in contesting the claim at that time. The defendant, in effect, claims that he was operating at all times under a void or at least a voidable contract. His positive statements in his letter certainly show that he renounced any such contract. And he was of the same attitude at the trial, for on cross-examination he testified “I think yet they will have to come to something of that kind before they can get along

here.” (Tr. 63.) We believe that, even placing upon plaintiffs the burden of proving no contract, that such burden has been met, and that the absence of any contractual relationship during any portion of 1936 has been established beyond any question of doubt.

POINT 2.

THE ORIGINAL LICENSE AGREEMENTS WERE, IF NOT
CANCELLED, ABANDONED BY THE PARTIES.

Admitting, for argument, that plaintiffs failed to show cancellation, the evidence directly shows that there has been a complete abandonment of contractual relations. The plaintiff ceased to do business in the State. Mr. Stanley testified:

“In order that there would be no question as to the Society’s operations in the state of Washington after August 13, the Society instructed me to mail from Portland, Oregon, letters to all the licensed establishments in Washington that, in accordance with their licenses with the Society, said licenses were to be cancelled by the Society. Beyond the mailing of these letters of cancellation, I had, and exercised, no authority over the establishments licensed by the Society in the state of Washington, after August 13, 1935.” (Tr. 113-114.)

The receivership proceedings intervened. The receivership was terminated on June 8, 1936. The plaintiff made numerous attempts to procure a license from the defendants. The defendant refused to take out a license. It made positive contentions that the plaintiff was a monopoly, and could not do business in the state.

The courts have universally applied the rule that contracts are terminated by abandonment if the parties perform acts inconsistent with the contract.

“A contract is deemed to have been abandoned by a party where his letters indicate a clear purpose not to abide by its terms, and likewise a positive and unequivocal refusal to comply therewith.” *Russell, Burdsall & Ward vs. Excelsior Stove & Mfg. Co.*, 120 Ill. App. 23.

In *Reichert vs. Mulder*, 235 N. W. 680, (Neb. 1931), the only evidence of abandonment of the contract was that the agreement had not been carried out, and that the plaintiff continued in his employment without protest. The court said, page 682:

“A contract will be treated as abandoned where each party performs acts inconsistent with its existence, which in each instance are acquiesced in by the other.”

In *Baker vs. School District* (Neb. 1931), 233 N. W. 897, the plaintiff brought suit to recover her

salary as a teacher. The evidence showed that she had married during the school term, whereupon the defendant's board sent her a letter suggesting that it "Would now be necessary to change teachers." Thereupon the plaintiff removed her things, surrendered the key to the school building, and returned to her home. Subsequently she brought suit to recover the salary. The court held that there had been an abandonment, stating, page 898:

"Where a contract is entered into, and thereafter each party performs actions inconsistent with its existence, but in each instance the inconsistent act is acquiesced in by the other, such contract will be treated as abandoned by mutual consent."

In the case of *Rochart vs. City of Mount Vernon*, 251 N. Y. S. 514, the plaintiff had been employed as an architect for a city hall building, to be constructed if funds were available. A referendum election was held, and the building plan was defeated. The architect had made several speeches in favor of the program, and worked for its adoption. Upon its rejection, however, there was no formal cancellation of the contract. The city paid the architect a small sum of money, and this constituted the main point of evidence in the case. Several years later the original building program was carried out, with

another architect, whereupon the plaintiff sued for fees. The court states, page 518:

“Having reached the conclusion that the plaintiff’s contract referred to the building then in contemplation of the parties, and not to the building erected in 1927, I am forced to the conclusion that the contract was abandoned by mutual consent. Mutual assent to the abandonment of a contract, like mutual consent to the making, may be inferred. In *Parks vs. Gates*, 84 App. Div. 534, 82 N. Y. S. 1070, the court states the rule as follows:

“After the scheme was abandoned, and had proven abortive by reason of existing conditions, the parties were remitted to their former condition, and no obligation would then exist by one toward the other respecting their subsequent conduct * * *

“Such obligations ceased the moment the contract was abandoned by the parties thereto, and thenceforth they stood toward each other as strangers.”

The above cases are very pertinent to the instant case. Certainly with the appointment of a receiver, and the cessation of business in the State by plaintiffs, there had been an abandonment of the scheme. The contentions made by the defendant, upon plaintiffs’ attempts for new licenses, clearly shows that the defendants acquiesced in the abandonment.

Abandonment in this case can also be found by inference from the conduct of the parties. The de-

fendants made no tender of fees. They did nothing which would recognize the existence of a license. They refused to sign license applications not because they had existing licenses, but they contended that plaintiffs could not do business in the State, and could not, therefore, legally collect license fees. On the other hand, the plaintiffs sent out notices of cancellation. They made no attempt to collect license fees until late in 1936, when they commenced to reorganize their business. Had plaintiffs considered there were outstanding licenses, they would have sent out statements, and attempted to collect fees, since that was their only desire. In Restatement of the Law of Contracts, Chap. 13, Section 406, page 766, we find, Subsection (b) :

“The agreement to rescind need not be expressed in words. Mutual assent to abandoning a contract, like mutual assent to form one, may be manifested in other ways than by words. Therefore, if either party even wrongfully expresses a wish or intention to abandon performance of the contract, and the other party fails to object, there may be sometimes circumstances justifying the inference that he assents. If so, there is rescission by mutual assent; * * * ”

The evidence goes further, and shows that the defendant not only abandoned, but repudiated any contract. Defendant in positive and direct language unequivocally refused to be licensed; he indicated

he was not bound. The rule is stated in 13 C. J. 615, Section 668,

“ * * * in determining whether there has been a repudiation of a contract by one of the parties, so as to warrant the other in rescinding, the test is whether the acts and conduct of the party evidences an intention to no longer be bound.”

In *Kemmerer vs. Title and Trust Co.* (Ore. 1918), 175 Pac. 865, plaintiff sought to recover certain payments made on a real estate contract. The evidence disclosed that after making several payments, the plaintiff had written, with respect to further payments, that

“I see, however, that I will be unable to do so, as I have some unlooked for bills and * * * will have to let it go.”

The defendants, upon receipt of the letter, marked the original contract “cancelled,” and subsequently sold the property to other parties. The court says, page 868:

“The plaintiff abandoned the contract. 38 Cyc. 1353. The letter written by Kemmerer on February 7, 1919, was equivalent to saying to the Title & Trust Co. ‘I abandon the contract, and I waive and surrender whatever rights I have to insist on additional time, or notice of your intention to terminate the contract; notice to me would be an idle ceremony; and, since I do not require notice, you may terminate the contract

without previous notice.' The law does not ordinarily require the doing of a vain thing.

"A renunciation of the agreement by declarations or inconsistent conduct before the time of performance may give cause for treating it as rescinded, and excuse the other party from making ready for performance on his part, or relieve him from the necessity of offering performance in order to enforce his rights. *It may destroy all capacity of the party so disallowing its obligation to exert rights under it afterwards, after the party has acted on such disavowal.*"

12 Am. Jur. 959, Section 382.

By its letters the defendant has disavowed any contractual relationship. It has said "You can't do business in this State." "You are a monopoly." "You will have to let us fix the fees." They have thrown off any protection of a license and stand admittedly as infringers.

"The licensor is not to be left in a doubtful or uncertain position. He must not be exposed to the double danger of being defeated in a suit for infringement by a plea of license never effectively or authoritatively renounced, or if he sues for royalties, of being beaten because there was merely an infringement, if anything." *Lathrop vs. Rice & Adams Corp.*, 17 Fed. Supp. 622.

The defendant should be estopped to claim a license. In response to the request for a license or for cessation of performance the defendant boldly

states that the plaintiff cannot do business in the State, and "In the meantime, I do not believe it is the proper thing for me to 'make an application.' "

"A licensor is entitled to assume that his licensee remains such until the latter, by clear, definite and unequivocal notice, emanating from lawful and competent authority, throws off the protection of the license and stands admittedly as an infringer." 20 R. C. L. 1188.

We quote from *Hazeltine Research Corp. vs. Freed etc.*, 3 Fed. (2nd) 172, at 178:

"However it is very plain, it seems to me, that where circumstances show that it is not simply a question of collecting compensation, but that the non-payment is but an overt act, evidencing with other facts an intention not to duly practice the invention, then the real purpose of the license agreement has been repudiated, and the inventor should have it back from the other party, who either does not consider it of value, or who seeks to pick the brain of the inventor without deeming itself bound to pay for what has been taken from him by reason of the contract."

Conversely, let us ask what chance would the plaintiffs have had if this were a suit to collect royalties? It had sent notices of cancellation. The receivership had intervened. The receiver had been discharged with an order terminating any licenses expiring during his operation, and terminating any which he may have continued, with the effective termination date

December 31, 1935. We believe no court would have granted recovery if the instant suit had been one for royalties.

In *Hunt vs. Moline Plow Co.*, 52 Fed. 745, the plaintiff patentor had licensed defendant to use a patented plow, with the privilege of cancellation. The defendant notified plaintiff that they could not proceed with the manufacture, and marked the license cancelled. About a year later plaintiff wrote defendant in substance that

“If he heard nothing further from the defendants by the 11th ult. he would license the patent to another company.”

The defendants did not answer or object. Thereafter, plaintiff brought a suit for royalties, which the court dismissed as follows, page 748:

“It is not necessary when acting under this clause (cancellation) that the parties should actually have manually surrendered and cancelled this contract. If the conduct of the defendant is such as to manifest a clear and unequivocal intention so to do. The surrender of the contract is as effectually accomplished by notice to the plaintiff that the defendant would not further proceed under the contract as if the parties had solemnly come together and either cancelled or torn the contract in pieces. * * * ”

In *American Streetcar Advertising Co. vs. Jones*, 142 Fed. 974, the Circuit Court reversed the lower

court and ordered the bill dismissed. The records showed that there had been a license, but the plaintiff had made requests for a higher rate. We set forth the language, page 977:

“Complainant’s letter, therefore, of January 4, ordered defendant to ‘discontinue building such racks in cars without authority by me to do so, under penalty of the law,’ coupled with the statement that, if he should ‘conclude to allow said racks built in cars, my price would be \$5 per car’ was in entire accord with the understanding of both parties, either that there had been no contract for a future license, or that, even if any such license might have been claimed, it was one terminable at will of complainant’s assignor, and the statements in his letter were acquiesced in by defendants as constituting a complete rejection of whatever rights or license they might otherwise have claimed. The contract, if any, was therefore rescinded by mutual consent.”

Similarly, in *Computing Scale Co. vs. Barnard Co.*, 259 Fed. 250, the licensor brought suit to recover royalties. The licensee had written

“We have but to refer you to our letter of June 16, 1908, where we call attention, specifically, to fatal defects in the Barnard invention, and these not being worked out, consider the entire matter at an end.”

Syllabus Two of the case is as follows:

“If the owner of a patent knew that his licensee deemed the contract between them

ended not later than the end of a royalty period to which his suit for royalties was directed, and realized that a demand by him for royalties would bring a cancellation by his licensee under another clause of the contract, and nevertheless kept silent for the longest period permitted under the statute of limitations, he would be estopped to insist that there had been no effectual cancellation by the licensee.”

In the instant case, the defendant stated that the plaintiffs could not collect a license fee; that they could not do business in the state. They refused to discuss a new license, and relegated the license application to the wastebasket. Had there been any merit to the defendant’s contention that it was licensed, it would have tendered fees under its claim that its pre-existing license had not been cancelled. This was not done, and by its conduct this defendant has certainly shown it was not licensed at any time in 1936.

POINT 3.

THE ATTORNEYS’ FEES ALLOWED TO THE DEFENDANTS
ARE EXCESSIVE.

The trial court, upon dismissal of the plaintiffs’ bills, allowed the defendant judgment for costs and attorneys’ fees. These fees were as follows: *Trianon*

case, \$500; *Lockhart* case, \$750, and in the *Tarry Inn* case, \$400. These fees are highly excessive and tend to show bias on the part of the court.

The allowance of attorneys' fees and the amount is within the discretion of the court, but such discretion is not absolute, and the court's judgment as to the amount allowed is subject to review by the Circuit Court.

Marks vs. Leo. Feist, Inc., 8 Fed. (2nd) 460.

At the hearing of plaintiffs' motion for new trial, on February 13, 1939, the court indicated that it would allow the defendants an attorneys' fee of \$100 in each case. (Tr. 131.) Thereafter, on the 10th day of March, 1939, at the presentation of the findings and decrees for signing, the defendant produced as an expert witness on the question of fees, Mr. Bert C. Ross, a Seattle attorney. At the conclusion of his testimony, the court announced that he would allow the fees as above indicated.

Mr. Ross testified that he had not examined the court files. He saw only some pleadings in Mr. Belknap's files. (Tr. 133.) His testimony showed that he believed the litigation involved a particular knowledge of copyright law. (Tr. 134.) This is clearly negatived by the record. He further stated

that he had never tried a copyright case. He had, therefore, never made a charge, or participated in fixing fees in a copyright infringement case. His opinion was based on some allowances of fees that had been made in five or six decisions of the Federal courts, shown him by Mr. Belknap. (Tr. 134.) As a matter of fact, he said,

“I testified that I had read five or six cases, and these were called to my attention by Mr. Belknap, and were the only ones that I have read, and *I have given great weight to those cases.*” (Tr. 139.)

We presume defendants' counsel could have found additional cases where large fees were allowed, and that he was certain to show the witness only cases where large fees were allowed. The point is that it is improper for Mr. Ross to base his estimate on such a foundation. It shows no independent study and certainly no qualification. We can cite any number of cases similar to the instant case where the fees allowed would nowhere approximate these. Illustrative is *M. Witmark & Sons vs. Pastime Amusement Co.*, 278 Fed. 470, where there were more defenses and the action was decidedly more complicated than the instant case; the fee allowed was but \$100.

The witness fixed the value of the services at \$100 per each count in each case, and had no explanation

for this except that the amount recoverable would be greater for each additional count. It is apparent that there is nothing in this record that justifies a fixing of fee on the number of counts involved, for there was not additional work due to the fact of additional counts. The sole issue was whether or not the performances were under a license. Mr. Ross further specifically said he did not consider himself an expert. (Tr. 136.)

We submit that, even though the judgment should stand, the defendants are not entitled to an attorneys' fee. The defendants' conduct induced the suits. They disavowed any right to a license. They resisted and refused to sign license applications. Surely this conduct will not be commended by the court.

Since the taking of this appeal, we have ascertained that, at the time he was a witness, Mr. Ross was also an attorney in the employ of the defendants. This fact was not called to the attention of the trial court, and we have attempted to bring it to the attention of this court by way of an affidavit filed in this court, a copy of which is appended to this brief and marked Exhibit A. This court may refuse to consider this affidavit, but we submit it solely because it might tend to show that the witness had reason to be prejudiced.

II.

RE LOCKHART AND TARRY INN CASES.

In the *Lockhart* and *Tarry Inn* cases, notices of cancellation were sent to each defendant from Portland, Oregon, August 21, 1935, which was after the plaintiffs had ceased to do business in Washington. The defendants undeniably received these cancellation notices. These cases differ from the *Trianon* case only in so far as counsel will contend that the cancellation notice was sent after the appointment of a receiver, and therefore without authority.

The defendant Lockhart took the stand. His testimony is recorded at page 96 of the Transcript. He does not state that he is possessed of a license. He does not state that the original license was not cancelled. His testimony can have no weight, for he states he kept no correspondence file; he threw away all letters, and he could not even recall signing for a registered letter, despite the fact that he admitted the postmaster's return receipt attached to Plaintiffs' Exhibit No. 17 bore his signature. His testimony is all the evidence that was submitted in the *Lockhart* case.

No witness was called for the defendant Tarry Inn, and there was no testimony or evidence at all

submitted on behalf of that defendant, excepting the fact that at one time this defendant had been licensed. There is, therefore, not one scintilla of evidence rebutting the plaintiffs' showing of cancellation of that pre-existing license.

Plaintiffs' testimony showed that neither of these defendants made payment or tender of any fees during any of the time here involved. The plaintiffs' witness, Mr. Meriwether, testified that he called upon Mr. Lockhart prior to the institution of the suit, and was referred by him to Mr. Jeffery Heiman, his attorney. Mr. Heiman was also representing Tarry Inn, and was one of the attorneys of record at the trial of these cases. (See Tr. 35—endorsement of attorneys.) Attempts were made to negotiate license agreements for these defendants with Mr. Heiman. (Tr. 120.) Mr. Heiman did not contend that these defendants were licensed. He attempted to procure a license agreement to date from January 1, 1937. The plaintiffs insisted that the agreement should date from January 1, 1936. This testimony stands undisputed. There was no question of rates involved. The only dispute was, the defendants sought to escape payment for their admitted use of these songs during all of the year 1936.

The plaintiffs' testimony is clear and undisputed that infringement notices were sent by registered mail, and these were received by each defendant. The defendants ignored these infringement notices. They did not immediately or ever contend that they were licensed, and by such conduct stand charged as in the *Empringham* case, *supra*. Had these defendants desired to avoid the charge of infringement, they would only have had to sign the license applications submitted to them. They should be estopped from pretending that they were performing under a claim of license.

An examination of the license (Plaintiffs' Exhibit No. 19, Tr. 105) shows that these license agreements were all on a similar form, and the term ran from year to year. The defendants have not shown that these license agreements were adopted by the receiver, and therefore they must be held terminated by operation of law. It is a fundamental rule that in receivership, the contracts are held abandoned unless adopted by the receiver. In addition, the receiver must procure the approval of the court for any adoption or renewal of the licenses. The evidence goes further, in this case, and shows that the court, in the receivership, terminated all license agreements with the order of dismissal, as hereinbefore recited.

There is one additional feature in the *Tarry Inn* case. The license agreement shows that the defendant Tarry Inn was licensed to operate the Lyons Music Hall “to be in effect only as long as the present policy is maintained—namely, *not more than three musicians.*” (Tr. 108.) The testimony was that the defendant Tarry Inn was operating a place called the Spider Web, and that four musicians were regularly employed in said establishment. (Tr. 110.) Such use was clearly outside the scope of the license agreement, and establishes, in and of itself, infringement. Any use beyond the license claimed is held to be infringement.

Rogers on Patents, Vol. 2, page 1246.

In the case of *American Pastry Products Corp. vs. United Products Co.*, 39 Fed. (2nd) 181, the court said in referring to the matter of selling outside the licensed territory, at page 183:

“As to this, on the face of the license it was never authorized; and the license is therefore no defense to the violation of the injunction which it involved, unless it is made so by the defendants’ agreement not to sell except as therein authorized. * * * I do not think that the tort is merged in a negative covenant of this character. If B has no right to cross A’s land but does so, he is not the less a trespasser because of the fact that he promised A upon good consideration to refrain from trespassing.”

The defendant Tarry Inn had ceased its operation at the Lyons Music Hall. It had opened an operation known as the Spider Web, with a new policy, and without bothering or inquiring about plaintiffs' rights.

All of the discussion regarding cancellation and abandonment hereinbefore set forth applies to the acts and conduct of these defendants. In addition, there is no testimony on the part of these defendants to rebut the proof of cancellation which plaintiffs submitted. With such a record before us, we believe the court erred in holding that there was no infringement.

CONCLUSION.

We urge that the defendants stand as admitted infringers. The plaintiffs cancelled, or at least considered they had cancelled the licenses. The defendants have thrown off, by affirmative act and negative conduct, the protection of any pre-existing license. The defendants, if successful in the instant suit, are making a sham out of ordinary business dealings. A copyright owner should not be exposed to the danger of being denied in his attempts to negotiate a license, and then, upon suit for infringement, of being beaten by a plea of license, all the while the defendants make bold and unrestrained use of the plaintiffs' property.

Respectfully submitted,

H. W. HAUGLAND,
HERMAN D. KENIN.

Exhibit A

GENE BUCK, as President of the
American Society of Composers,
Authors and Publishers, and ROB-
BINS MUSIC CORPORATION,
a corporation, CHAPPEL & CO.,
INC., a corporation, and POPU-
LAR MELODIES, INC., a corpo-
ration,

vs. Appellants,

TRIANON COMPANY, INC., a cor-
poration,

Appellee.

No. 9231

AFFIDAVIT
OF
H. W.
HAUGLAND

STATE OF WASHINGTON }
COUNTY OF KING } ss.

H. W. HAUGLAND, being first duly sworn, on oath deposes and says:

That he is one of the attorneys for the plaintiff in the above entitled case. That since the appeal of this case has been taken, affiant has learned that Bert C. Ross, one of the defendant's witnesses, was at the time of the hearing, when he testified, and still is, an attorney in the employ of the defendant Trianon Company, Inc., and John Savage. Affiant states that the said Bert C. Ross is a member of the firm of Patterson & Ross, and that the said firm are attorneys of record in the following cases now pending in the Superior

Court of King County, Washington: Robert Carmody vs. Trianon Company and John Savage et alles, Cause No. 311439, and the case of Pacific National Bank vs. John Savage, Trianon Company, et alles, Cause No. 305630.

Further affiant saith not.

H. W. HAUGLAND.

SUBSCRIBED and SWORN To before me this 25 day of August, 1939.

E. BARRETT

Notary Public in and for the State
of Washington, residing at Seattle.

